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Report Highlights:

- AWB STOCKS FALL 22% AS IRAQ OIL-FOR-FOOD INQUIRY CONTINUES
- DEMAND FOR AUSSIE BEEF UP AFTER JAPAN'S U.S. BEEF SUSPENSION
- AWB OFFERS NEW CONTRACT IN PUSH TO GROW WA DURUM
- NORTHWEST CHERRY INDUSTRY TO VISIT AUSTRALIA
- RECORD WINE HARVEST EXCEEDS 1.4 BILLION LITERS
- U.S. NUMBER ONE MARKET FOR RECORD AUSSIE LAMB EXPORTS
- HEALTH CLAIMS STANDARD: FRESH FRUIT OK
- BUSHFIRES DESTROY RURAL PROPERTIES, KILL 90,000 SHEEP
- McGAURAN REMAINS AG MINISTER IN RESHUFFLE

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Canberra [AS1]
[AS]

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AWB STOCKS FALL 22% AS IRAQ OIL-FOR-FOOD INQUIRY CONTINUES

The Cole investigation into the involvement of the Australian Wheat Board (AWB) in the Iraq Oil-for-Food scandal continues to be front-page news in Australia. AWB stocks have fallen 22 percent in the second week of the four-week inquiry. Allegations of fraud on the part of AWB executives and the Prime Minister's January 20 remarks suggesting the single desk is 'something that should be looked at' have sparked debate on the question of monopoly export authority. A national competition policy review of the single desk is scheduled for 2010, but senior government ministers have signaled the possibility of an earlier review if growers want it.

DEMAND FOR AUSSIE BEEF UP AFTER JAPAN'S U.S. BEEF SUSPENSION

Meat and Livestock Australia chief market analyst, Peter Weeks, said orders for Australian beef from Japanese buyers have increased following Japan's suspension of U.S. beef on January 20. Beef cattle prices, which were expected to ease in coming months, should now remain reasonably firm. Mr. Weeks said it is unclear when the U.S. could regain access, however speculation is that it would take three to six months. But he said while Australian exporters would benefit in the short term, "In the longer term...it's not good news," he said. "It's put mad-cow disease back on the front pages of Japanese newspapers."

Following Mr. Weeks' remarks, the confirmation of a new case of BSE in Japan has triggered further speculation of heightened Japanese consumer concerns about mad cow disease affecting beef consumption in that country. (Sources: MLA Market News, January 26, 2006 and Farmonline, January 26, 2006)

AWB OFFERS NEW CONTRACT IN PUSH TO GROW WA DURUM

The AWB has launched a new contract to stimulate Western Australian (WA) durum production in 2006 to a targeted 100,000 tons. A hectare-based, fixed-price contract is being offered exclusively to Western Australian durum wheat growers at a significant premium over bread wheat with flexibility over tonnage and quality. Contracts up to 50,000 hectares will be initially offered. According to AWB sources, despite strong Italian demand for WA durum, production in that state has been held in check because there is a widely-held view that durum does not perform as well in the field as bread wheat, making farmers reluctant to grow it. (Source: Farm Weekly, WA, January 24, 2006)

NORTHWEST CHERRY INDUSTRY TO VISIT AUSTRALIA

The Northwest Horticultural Council will visit Australia January 31- February 5 to discuss market access for U.S. cherries. Australia is the sixth largest export market for the Northwest Cherry Growers (Washington, Oregon, Idaho and Utah), with 2005 shipments reaching nearly 130,000 cartons valued at \$4.7 million. The Australian market holds promise for future growth; achieving market access to Western Australia is an industry priority.

RECORD WINE HARVEST EXCEEDS 1.4 BILLION LITERS

Australian harvest, crush and wine production set new records in 2004/05, exceeding last year's record volumes. Australian Bureau of Statistics data indicate 1.9 MMT of grapes were crushed in 2004/05, up slightly from the previous year's level. Wine production rose one percent to a record 1,423 million liters. Exports were up 15 percent, totaling 670 million liters valued at \$A 2.7 billion. (Source: News.com.au, January 25, 2006)

U.S. NUMBER ONE MARKET FOR RECORD AUSSIE LAMB EXPORTS

Australian lamb exports reached record levels during 2005, with export volume and value up 25 percent from previous year levels, to \$A725 million. Record exports to the U.S., Japan, China, and the Middle East were achieved in 2005. The number one market--the U.S.--accounted for over 40 percent of export value. The Japanese market was in second place, aided by the opening of Mongolian lamb restaurants across Japan and lamb's appearance in key retail chains. (Source: Meat and Livestock Weekly, January 13, 2006)

HEALTH CLAIMS STANDARD: FRESH FRUIT OK

In late November 2005, Food Standards Australia New Zealand (FSANZ) announced that it is developing a new food standard for nutrition, health and related claims - that is, claims about foods and their nutritional or health benefits. FSANZ is currently seeking comment on the proposed health claims standard before finalizing it mid-2006.

Recent media reports have hinted that fresh fruit would not be allowed to have health claims under the proposed new standard, as their naturally occurring sugar content was too high. This is not correct. The clear intention of FSANZ is to allow health claims on healthier foods such as fruit and vegetables while preventing health claims on foods high in salt, fat and sugar. (see GAIN Report AS6003 for further details).

BUSHFIRES DESTROY RURAL PROPERTIES, KILL 90,000 SHEEP

Victoria is bracing for further damage from bushfires that have already claimed three lives, destroyed 140,000 hectares of rural land in Victoria and South Australia, and killed an estimated 90,000 sheep and 1,000 cattle. In Western Australia, *Farm Weekly* reports that a bushfire destroyed 8,000 hectares of the southwest area of the state. Continuing high temperatures and strong winds are expected to result in further damage in Victoria. (Source: Farmonline January 25, 2006)

McGAURAN REMAINS AG MINISTER IN RESHUFFLE

Australian Agriculture Minister Peter McGauran will remain in the Agriculture Portfolio following Prime Minister Howard's January 21 Cabinet reshuffle. Minister McGauran, a Member of Parliament from Gippsland, Victoria, representing the National Party since 1983, was named Agriculture Minister in July 2005. New to the Agriculture Portfolio are: Senator Erik Abetz who has replaced MP Ian MacDonald as Junior Minister; and MP Sussan Ley who has replaced Senator Richard Colbeck as the Parliamentary Secretary.

Recent Reports from FAS/Canberra:

The reports listed below can all be downloaded from the FAS website at:
<http://www.fas.usda.gov/scripts/AttacheRep/default.asp>.

Report Number	Title of Report	Date
5041	Australian Federal Court Ends Pork Legal Challenge	11/21/05
5042	Citrus Annual	11/23/05
5043	Cotton Quarterly Update	11/29/05
5044	Australia Issues Draft IRA Report for Apples from New Zealand	12/02/05
5045	Top Food Trends in Australia	12/05/05
5046	Nutrition & Health Claims Draft Standard Issued for Comment	12/08/05
5047	New Glycemic Index Food Label System	12/08/05
5048	New Country of Origin Labeling Standard Becomes Law	12/08/05
5049	Australia Prepares for Return of U.S. Beef to Japan	12/15/05
5050	Grain Quarterly Update	12/16/05
5051	Cotton Outlook 2006/07	12/21/05
6001	Fresh Deciduous Fruit Annual	12/28/05
6002	Ag DownUnder Vol. 1	01/13/06
6003	Health Claims – Sugar Content of Fresh Fruit	01/24/06
6004	Livestock Annual	01/30/06
6005	Fine Food 2006 Trade Show – Australia	01/27/06